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FOR NEA/DAS DANIN, NEA/IPA WILLIAMS/SHAMPAINE; PASS USAID  
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SUBJECT: MAJOR DONORS DISCUSS COORDINATION STRATEGY FOR  
ASSISTANCE TO PALESTINIANS

1.(SBU)SUMMARY. In a Brussels meeting March 13, the European Commission solicited comments from the international donor community on its concept paper proposing an International Mechanism for Support to Palestinians (IMSP). The EC paper was drafted in response to the Quartet,s call for proposals to further develop the existing Temporary International Mechanism (TIM) in the areas of governance, institution building, and economic development as a means to meet Palestinian needs and support the political process. However, despite EC insistence that its proposed IMSP coordination mechanism had no bearing on the likely near-term emergence of a new Palestinian Authority government, EC officials admitted that their presentation of the proposal to EU Member States earlier in the day had uncovered considerable skepticism in this regard. Some EU States had argued that the paper, by differentiating between Palestinian entities with which support could be expanded now (Presidency, independent agencies) and others (PA Ministries) with which engagement would need to await improved political circumstances (at least implicitly, acceptance of the Quartet principles) sought to unduly pre-empt subsequent EU political decisions on engaging a new PA government. As a result, the EC said it would wait for the EU to reach a decision regarding whether a new PA government reflected the Quartet principles before recirculating the IMSP paper ) only in the event the EU determined the new PA did not reflect the principles would the paper go forward. EC officials added that in the absence of EU consensus on the inclusion of security in the IMSP, that section of the proposal should be considered moot for the time being.END SUMMARY.

Proposed Structure of the IMSP

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2.(SBU) The draft concept paper describes a mechanism that establishes an "International Consultative Group" (ICG) underneath the Quartet serving to coordinate aid through three main channels: I. Social and Emergency Assistance (possibly led by the UN); II. Governance and Institution Building (possibly led by the EC); III. Economic Development (possibly led by the World Bank). Within the ICG would be a chairmanship led by a rotation of leading donors. Membership would include other involved donors, Quartet envoys, and the Office of the PA President. Operations would be coordinated by a Secretariat.

## Objectives and Principles

3.(SBU) As the chair of the meeting, DG RELEX Middle East, Southern Mediterranean Director Hugues Mingarelli dominated the floor on behalf of the EU. Flanked by Andreas Reinicke, foreign ministry representative of the German EU Presidency, and Richard Weber, Director of DG EuropeAid, Mingarelli also briefed on behalf of the Member States, who discussed the paper with the EC earlier that day. Mingarelli outlined four main objectives and principles to be accomplished by the meeting:

- a. Create consensus on moving from humanitarian assistance to development and institution building;
- b. Learn from existing coordination mechanisms, notably the Ad-Hoc Liaison Committee (AHLIC) led by Norway;
- c. Establish a supportive link in furtherance of the political process being pursued by the Quartet; and
- d. Ensure broad participation of all stakeholders in the coordination mechanisms, i.e. strong international support and Palestinian ownership.

He stressed that the EC does not intend to set up a new agency or fund, emphasizing that the mechanism should remain temporary. Furthermore, he stated that an ideal situation would involve engagement under the terms of the IMSP as quickly as possible, irrespective of subsequent political developments regarding emergence of a new PA government, in order to avoid the perception of EU aid as a political response. However, Mingarelli noted a lack of consensus among the Member States, who shared many of the same issues

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participants in the meeting later discussed.

14. (SBU) Against this backdrop, donors and IOs presented their views, which ranged from the highly critical (Norway) to the mildly supportive (U.S.). EU PLO Representative Leila Shahid expressed support for more aid to Palestinians, but argued that seeking to make political distinctions between "politically acceptable" and "politically unacceptable" Palestinian governmental entities had served only to harm the well-being of the Palestinian people and to damage President Abbas and other advocates of a negotiated peace. In any case, Israel's responsibilities should be included in the paper, and GOI participation in discussion and implementation of the mechanism sought, given Israel's "responsibility" to provide Palestinian tax and customs revenue and to facilitate movement and access. Norway complained that the proposed IMSP was unnecessary and harmful in that it would duplicate the existing Ad Hoc Liaison Committee (AHLIC) structure, which included Israel. Norwegian MFA DDG Kare Eltervag said Norway intended to resurrect the AHLIC and would begin consultations with members and other interested parties immediately after a new Palestinian government is established to discuss convening an AHLIC meeting before the expiration of the German EU Presidency in June. (Comment: EU officials separately told NEA/IPA Director Williams that German advocacy of an AHLIC in that morning's EU member states, discussion of the IMSP, and apparent "collusion" between Norway and Germany in this regard, had caused considerable unhappiness within the EU and EC. End Comment.)

15. (SBU) Williams said the US appreciated the EC's effort to be responsive to the request of the Quartet for a proposal to further develop the TIM and to broaden it beyond humanitarian assistance into the areas of governance, economic development, and institutional capacity preservation/building. The broad approach outlined in the IMSP paper made sense -- clearly delineating those Palestinian entities with which such efforts could and should be undertaken now (such as the PA Presidency and independent agencies) while emphasizing that broader engagement must

await political developments. Here the paper should be revised to make crystal clear that the necessary political development was the emergence of a PA government clearly and credibly committed to the Quartet principles. Williams encouraged the EC to be clearer with regard to the specifics of its proposals, particularly in the governance area, and throughout to condition any engagement with PA government entities upon acceptance of the Quartet principles. He added that more focus on the economic development area would be useful, to include consideration of working with non-FTO municipalities on infrastructure, and that a reference to the lead role of the USSC in coordinating donor assistance related to the AMA/Karni project would be appropriate. Finally, he observed that coordination and consultation with President Abbas and his designated representatives should be undertaken before moving forward with the Palesing upon which the EC shoQ greater effort.

¶16. (Qoy Yakovlev expressed tt no EC action o scheduling issues. Mingarelli responde that given the lack of consensus on the pape within the EU, securing approval prior to a ossible Quartet meeting in April was "highly Qnlikely."

¶17. (SBU) Arab League SYG CoS Hisham Yousef joined the UN, Egypt and World BanQ in arguing that an approach which sought to #ondition assistance mechanisms, particularly development assistance mechanisms, upon politicalcommitments represented "an approach without Q vision." While the AL had channeled

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its aid over the past year solely via the office of President Abbas, the overall consequence ) despite considerable increases in donor assistance ) had been a real deterioration in the quality of life of the Palestinian people. The best remedy, he noted (in words variously echoed by the aforementioned delegations), would be to re-establish across the board engagement with a new PA government (which he expressed confidence would "sufficiently" reflect the Quartet principles), and to re-instate the single Treasury account to ensure accountability and appropriate oversight of donor funds. Israel should transfer Palestinian revenues to facilitate economic recovery.

Conclusion  
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¶18. (SBU) Mingarelli ended the meeting by expressing appreciation for donors, views. He indicated that consultations with the PA Presidency would continue on how best to structure the mechanism, if a decision was taken to move forward with the concept. In that event, donor input would be factored into a revised proposal which would be circulated for consideration. Donor satisfaction would be crucial, he noted, not least because the EC has no additional funds to expend on an expanded mechanism (and indeed the EC,s TIM funding will expire by the summer. He closed by warning participants about an "expectation gap," urging donors to prioritize and sequence their actions to reduce overlap and ensure maximum benefit for the Palestinian people.

¶19. This cable was cleared by NEA/IPA Director Thomas E. Williams.

GRAY.

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